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SUBJECT: THE EVE OF CIVIL SOCIETY'S ARRIVAL: NPI PROMOTES
ESTABLISHMENT OF NGOS IN SHANGHAI

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¶1. (SBU) Summary. According to Director of the Shanghai Pudong-based Non-Profit Incubator (NPI) Simon Lu, the Pudong District Government began to "outsource" some social services to local non-government organizations (NGOs) as a part of its comprehensive coordination pilot reform program approved by the Chinese State Council in late 2005. Local government officials, including municipal level ones, have realized NGO can be a good supplement to their work and would like more NGOs to provide social services in Shanghai. However, NGOs are unable to compete with government-operated NGOs (GONGOs) in getting charitable resources. Though China in Lu's view is on the "eve of the arrival of civil society," Chinese NGOs should develop a "strategic development plan" - not only work closely with open-minded government officials, but also create alliances with local private enterprises to ensure they can conduct work in a stable fashion. End summary.

History and Work of NPI

¶2. (SBU) On April 15, Political Assistant visited the Non-Profit Incubator (NPI) headquartered in Shanghai's Pudong District and discussed the NPI's development and programs with NPI Director Simon Lu. In late 2005, the Chinese State Council approved the Pudong District as a test bed for many types of government and administrative reforms. The NPI was officially registered at Pudong District Civil Affairs Bureau in early 2006 and set up its office in April 2007. Major donors to NPI include the Ford Foundation, the World Bank, Hong Kong Oxfam and the Chinese real estate company-affiliated Narada Foundation. At present, NPI has 49 full-time staff members, including 37 people working at Pudong's Sanlin community, site of a huge new community social services center. In addition, NPI hires part-time consultants from local offices of enterprises such as McKinsey and Company and Ogilvy and Mather and works with East China University of Science and Technology and Fudan University to encourage student volunteers to participate in NPI activities.

¶3. (SBU) According to Lu, NPI provides offices and facilities, registration assistance and small grants for newly established small and medium size non-government organizations (NGOs). More importantly, NPI helps these NGOs with their capacity building so that these organizations can carry out their programs more efficiently and communicate with local authorities more effectively. NPI's training program covers a wide range of topics including strategic planning, fundraising, leadership

development and financial supervision. Up to now, the NPI has helped establish six NGOs in Shanghai and plans to complete registration and training for another eight NGOs in the upcoming year. In this regard, NPI welcomes more opportunities for exchange programs and technical training with overseas NGOs, which would be more helpful than financial contributions, according to Lu.

NPI's Programs and Relationship with Local Government

14. (SBU) According to Lu, in follow up to the State Council-approved comprehensive coordination pilot reform program for Pudong, the Pudong District Government launched a new policy to support development of social organizations in 2006. In an effort to build a service-oriented government, the policy not only provides tax benefits for these organizations, but also encourages local governments to seek opinions and purchase services from NGOs. In 2007, NPI produced two research reports for the Pudong District Government. One report sets up a standardized procedure for the government to purchase NGO's services. The other report provides the Pudong District Finance Bureau with a framework with which to evaluate financial investments and a work performance evaluation system, both to support provision of services to the elderly in Pudong. Lu added the Shanghai Municipal Government is trying to "outsource" supply of some social services to local NGOs because government employees sometimes lack motivation and relevant experience. In October 2007, the Pudong District Government sent bidding invitations to local NGOs on a community management project in Sanlin, where a 12,000 square meter World Expo Citizen Center was completed in 2006. NPI won the tender and will begin to work there soon.

15. (SBU) Lu asserted that NPI maintains good relations with the local government. On March 5, an official delegation including Shanghai Vice Mayor Hu Yanzhao, who is in charge of the city's

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civil affairs, visited NPI. During a discussion with NPI staff members, the officials stated that the Pudong District Government will promote NGO development from three aspects, namely, increasing government purchase of NGO services, encouraging NGOs to develop the capacity to provide a broader range of social services, and developing a recruitment system for NGO professionals.

China's Future Charities Law

16. (SBU) When asked what China's future Charities Law should address, Lu asserted the Law should emphasize equal competition for charity resources among NGOs and government-operated NGOs (GONGOS). Lu said Shanghai has over 3,000 NGOs but only ten organizations are independent from the government - that is, in his view, nearly three thousand of the NGOs are in fact GONGOS. The GONGOS do not have the right to speak views different from established policies and are unable to bargain with the government. Though the GONGOS are more reliable and often have influential executives, as a whole their insufficient attention to supervisory issues, especially in the financial area, has resulted in many problems. In addition, most of China's policy makers do not understand the ability of NGOs to play a positive role in society. Therefore, Lu suggested, China should not rush to pass an inadequate or immature Charities Law. Regarding the future plan for NGO development in China, Lu said that China is on the "eve of the arrival of civil society." Chinese NGOs should have "strategic development plans." NGOs should establish close relationships with open-minded government officials, on the one hand; on the other hand, NGOs should create alliances with local private enterprises to ensure their ability to conduct work and promote their views of social service is stable and safe from top-down government changes of policies or acceptable points of views.

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